Discussion of:
"Price Negotiation in Differentiated Product Markets: The Case of Insured Mortgages in Canada"

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What I Like About this Paper

- A structural approach

- A search model is fundamentally the right way to think about mortgage markets
  - Particularly for borrowers with less-than-pristine credit

~~What I Don't Like So Much~~
How I Learned to Stop Worrying and Like the Paper

- Credit risk is central to mortgage pricing and competition

- But this paper talks about Canada!

Table 6: Margin regression results

VARIABLES	(1) Margin	(2) Margin	(3) Margin	(4) Margin	(5) Margin
Annual income (X 100K)	-0.14^a	-0.076^a	0.15^a	-0.22^a	-0.19^a
	(0.011)	(0.011)	(0.014)	(0.036)	(0.036)
Loan size (X 100K)				0.035^b	0.050^a
				(0.017)	(0.018)
Loan/Income				-0.20^a	-0.18^a
				(0.012)	(0.013)
Other debt (X 100K)				-0.086^a	-0.085^a
				(0.0076)	(0.0076)
$0.85 \leq LTV < 90$				0.065^a	0.061^a
				(0.0088)	(0.0089)
$0.90 \leq LTV < 0.95$				0.10^a	0.097^a
				(0.011)	(0.011)
$LTV = 0.95$				0.19^a	0.18^a
				(0.0092)	(0.0093)
FICO (mid-point)				-0.75^a	-0.76^a
				(0.038)	(0.038)
Renter	0.00022	0.0023	-0.00077	-0.035^a	-0.029^a
	(0.0071)	(0.0071)	(0.0070)	(0.0071)	(0.0072)
Living w/ parents	-0.058^a	-0.054^a	-0.066^a	-0.078^a	-0.069^a
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
Switcher	-0.080^a	-0.077^a	-0.072^a	-0.075^a	-0.069^a
	(0.0089)	(0.0089)	(0.0088)	(0.0087)	(0.0088)
Relative network size	0.057^a	0.055^a	0.053^a	0.053^a	0.048^a
	(0.0044)	(0.0044)	(0.0043)	(0.0043)	(0.0049)

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Things the Paper Might Address

- Is credit risk really not important?

- Is this really a "differentiated product"?
  - Why is branch network important to mortgages?

- What determines switching costs?

- Main takeaway: This is a carefully done and very promising paper